**Investment Policy Statement**

**For The Jackson Symphony**

**Endowment**

**Presented for consideration**

**Investment Policy Statement**

**for The Jackson Symphony**

**Endowment**

**Purpose:**

The purpose of this document is to set the policies and procedures governing the investment of the funds of The Jackson Symphony Association, herein referred to as “Endowment”, whether in debt or equity, to maximize funds available for the accomplishment of the mission of the Jackson Symphony Association, herein referred to as “Symphony”. The investment of these funds shall be performed in a manner consistent with the preservation of capital, the preservation and growth of purchasing power, and the performance of the mission of the Endowment as defined by the Board.

These policies and procedures will also serve to educate, direct and define the parameters for investment managers directed by the Symphony and to authorize the appropriate committees and/or employees to invest funds consistent with the provisions herein.

**Standard of Care:**

To use the area, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and wit like aims.

**Supervisions:**

The Board will maintain and review the investment policies and objectives of the Symphony, established procedures for handling the receipts, transfers, safekeeping and safeguarding of assets, approve all changes or amendments to the Investment Policy, and delegate certain duties and responsibilities as they see fit.

The appointed representative of the Symphony, herein referred to as “Representative”, will review the investment accounts with the Endowment Committee, as designated by the Board on a monthly schedule and report to the full Board not less than quarterly.

**Receipting of Funds:**

At the time a donation is received by the Symphony, funds will be deposited into the operating account and designated to the Endowment Funds. These funds will be moved into the endowment account in a timely manner.

**Investment Policy Elements:**

The principle elements of this policy are assert allocations, performance standards, and security procedures. This policy allocates investments into three time horizons: 1) Short Term, 2) Intermediate, and 3) Long Term according to the funding needs of the Endowment. These time horizons are intended to provide general guidelines and restrictions for investment managers implementing these various portfolio strategies. Individual securities described within each horizon are not specifically approved or intended but are listed for explanatory purposes only.

The assets allocated to the “Short Term” horizon should be sufficient to supplement occasional operating needs of the Endowment. The operating account may experience funding needs that “Short Term” funds can provide. “Intermediate” and “Long Term” include funds that will not be needed for liquidity thereby permitting a longer investment horizon and consequently higher yields. The Board in consultation with the Endowment Committee will determine the amount of funds allocated to each horizon. Suggested guidelines for each horizon are:

1. Short Term – Less than 2 years
2. Intermediate – 2 years to 5 years
3. Long Term – 5 years or greater

With regard to the portfolio mix guidelines referred to hereafter, outside investment managers shall be permitted to change the allocation mix in response to market conditions only after approval by Endowment Committee and/or the Board.

**Fund Specific Policies:**

Attached to this document are separate guidelines for each investment fund. Each policy will identify and define:

1. The investment obligation, including its purpose
2. Return objective
3. Risk factors
4. Appropriate investment categories, asset allocation targets, broad quality constraints and maturity targets
5. Liquidity constraints
6. Market value fluctuation tolerance

**Fund Performance and Reporting:**

An overall total return objective is established by this policy for each investment account. The returns will be compared with generally accepted indexes, i.e., the Standard & Poor’s 500, Barclay’s Bond Indexes, and MSCI EAFE stock indexes, and an index of 90-day U. S. Treasury Bills. It is expected that investment managers will meet in person with the Endowment Committee at least annually and provide a written report at least quarterly to the Endowment committee which will outline specific investments, their returns calculated net of fees and costs. The quarterly report will also provide comparisons with an appropriate benchmark composite index.

Annual and quarterly reports will also provide a detailed explanation of all fees, including but not limited to custodial fees, brokerage fees, investment management fees, and fees relating to mutual fund expenses. Any soft costs or other soft dollar arrangements utilized by investment managers or other parties must be fully disclosed and approved in advance by the Endowment Committee.

**Custodial/Safekeeping**

Custody of all securities shall be maintained by the Representative in a custodial account with a firm to be approved annually by the Endowment Committee.

**Investment Manager Qualifications:**

Investment managers employed by the Symphony shall be Registered Investment Advisor pursuant to the Securities Act of 1940, including any amendments, a bank or Trust company.

**Short Term Horizon**

**Purpose:**

The investments in this horizon will seek returns in excess of a passive approach and provide liquidity for short term reserve funds. Capital preservation is paramount in this portfolio.

**Return Objective:**

Performance of the fund will be measured against:

90-day Treasury Bills, plus 0.50%

**Most Important Risk Factors:**

Capital preservation and liquidity

**Appropriate Investments:**

All securities will be readily marketable. Please see the following items.

**Short Term Horizon**

|  |  |  |
| --- | --- | --- |
| SECURITY | DESCRIPTION | MAXIMUM POSITION |
| Money Market Fund | Daily Liquidity (NAV $1.00) | 20%, excluding trading |
| Treasuries | 2 years or less | 20% in any single issue Maturity ladder |
| Agencies | 2 years or less | 20% in any single issue  Maturity ladder |
| Corporate debt  Securities | 2 years or less, minimum  Of an A rating | 5% in any single issuer  Maturity ladder |
| Bank Certificates | 2 year maximum | 5% for any one issue  30% in repos. & CDs |
| Municipal Debt | 2 years or less, minimum  Of an A rating | 5% in any single issuer,  Total munis. 25% |

The following individual securities are prohibited from purchase (except held inside mutual fund):

1. Euro dollar and non-US dollar bonds
2. Inverse Floaters
3. Support tranches of CMO securities
4. Principal Only and Interest Only securities
5. Collateralized Mortgage Obligations
6. Bankers Acceptances
7. Commercial Paper

**Intermediate Horizon**

**Purpose:**

Investments in the intermediate category will be designated to meet capital expenditure needs and longer term operating requirements.

**Return Objective:**

This portfolio is expected to produce a return in excess of the following composite:

Barclay’s Bond Index 95%

90 day United States Treasury Bills 5%

Unless the manager’s interim results are significantly below expectations, the period for evaluation will include a complete market cycle, assumed to be 2 to 5 years.

**Most Important Risk factor:**

Purchasing power risk (inflation)

**Liquidity:**

The manager needs to fully understand the plans and cash requirements of the Endowment (as defined by the board from time to time).

**Market Value Fluctuations:**

Minimal

**Appropriate Investments:**

All securities will be readily marketable. Please see the following items.

**INTERMEDIATE HORIZON**

|  |  |  |
| --- | --- | --- |
| SECURITY | DESCRIPTION | MAXIMUM POSITION |
| Treasuries | 5 years or less | 20% in any single issue  Maturity ladder |
| Agencies | 5 years or less | 20% in any single issue  Maturity ladder |
| Corporate Debt | Minimum of A rating,  5 years or less maturity | 5% in any single issue,  Maturity ladder |
| Bank CDs | 5 year maximum maturity | FDIC insured |
| Municipal Debt | 5 years or less, minimum  Of an A Rating | 5% in any single issue  Maturity ladder |

Corporate and municipal exposure in the aggregate will not exceed 50% at cost unless approved by the Endowment Committee.

In the event of a downgrade of a fixed income security below an A rating by either Moody’s or S&P, the investment manager will inform the Endowment Committee in a timely manner and recommend a course of action.

The following individual securities are prohibited from purchase (except held inside mutual fund):

1. Eurodollar and any non-US dollar bond
2. Inverse Floaters
3. Support trances of CMO securities
4. Principal Only and Interest Only securities
5. Collateralized Mortgage Obligations
6. Bankers Acceptances
7. Commercial Paper

**Long Term Horizon**

**Purpose:**

Investments will maximize returns on funds designated to meet capital expenditure needs and longer term requirements. The focus will be to produce returns within an acceptable level of risk that reduces the impact of purchasing power risk (inflation).

**Assets Allocations:**

The portfolio will be allocated as follows:

|  |  |  |
| --- | --- | --- |
|  | TARGET | ACCEPTABLE RANGE |
| Equities | 60% | 50-70% |
| Fixed Income | 40% | 30-50% |
| Cash | 0% | 0-20% |

**Rebalance:**

**Return Objective:**

The portfolio is expected to produce a return in excess of the following composite:

S&P 500 Index 48%

MSCI EAFE Index 12%

Barclay’s Bond Index 35%

90 day U.S. Treasury Bills 5%

Unless the manager’s results are significantly below expectations, the period for evaluation will include a complete market cycle, generally 3 to 5 years.

The Endowment Committee will review the asset allocation on a quarterly basis and will at least annually evaluate the need for rebalancing the portfolio. The standard for consideration of rebalancing would be greater than 10% variance from the target allocation. For the committee to rebalance, the motion shall be approved by the Board.

**Time Horizon:**

The portfolio’s time horizon for investments is expected to be greater than 5 years.

**Most Important Risk Factor:**

Purchasing power risk (inflation)

**Appropriate Investments:**

Please see the following page.

**Liquidity:**

Liquidity needs will generally be used for strategic rebalancing of the portfolio.

**Market Value Fluctuations:**

It is understood that fluctuating rates of return are characteristic of the equity markets. However, the greatest concern should be long-term appreciation and consistency of retunes with no greater than market risk.

**Long Term Horizon**

**Appropriate Investments:**

**Equities:**

A majority of the equity portfolio is to be invested in large capitalization companies from developed markets in a balanced and diversified manner. Smaller capitalization companies and developing markets may be used to complement the core portfolio in a risk controlled manner.

Individual issues may not exceed 7% of the portfolio at cost unless an exception is recommended by the Endowment Committee and approved by the Board.

No more than 25% of the portfolio may be invested in a single industry and no more than 35% of the portfolio may be invested in a single sector. Short sales, margin, leverage, listed options, restricted issues, and any derivative issue shall not be used as an investment vehicle.

The investment manager will be required to vote proxies in the best interest of the Endowment in accordance with appropriate policies disclosed to the Board.

**Fixed Income:**

The fixed income portion of a balanced account must comply with the appropriate investments and specific requirements set forth in the Intermediate Horizon.

**Investment Policy Review**

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Endowment Committee plans to review investment policy at least annually.